WAR ASSETS ADMINISTRATION
REGION 5
CHICAGO, ILLINOIS

STATISTICAL DIGEST

June 15, 1947

Prepared
by

Organization and Methods Division
Statistics Branch

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Table 1
Operating Statement
Consumer & Capital Goods
January-May 1947

	End of Month Inventory $	Acquisitions $	Disposals $	Recovery Rate %
January	308,881,000	2,627,000	37,438,000	26
February	318,533,000	29,167,000	19,515,000	21
March	308,478,000	12,362,000	22,147,000	22
April	306,311,000	20,623,000	22,786,000	18
May	284,426,000	-1,145,000	20,732,000	14

Inventories

Region V's inventory at the end of May was the lowest since January 1946. This lower level of inventories resulted, to a considerable extent, from the fact that net regional acquisitions were negative in May. Negative net acquisitions, in turn, arose primarily from two factors. First, net declarations of property to Region V were the lowest ($16.1 million) in at least a year; second, owning agency withdrawals ($15.6 million) in May were the highest since January 1947. Transfers of property out of Region V exceeded transfers into the Region by $1.6 million in May, and, thus, also slightly reduced net acquisitions.

Disposals

The Second Operational Program ended on May 15. The target of this program was to dispose of the total inventory available for sale on February 1. Although in Region V available inventory on February 1 amounted to only 28% of IBM inventory, Region V fell short of the specified target by about 20%.

Disposals in May of $20.7 million were approximately 10% below April's disposals. This $20.7 million was almost 50% short of the $40.2 million sales estimated for May by the Office of General Disposal in submitting its personnel requirements for the coming fiscal year to the Budget Division last month. Accounting figures indicate that disposals in the first half of June were $3.6 million. Disposals for the full month of June were estimated at $60.0 million by the Office of General Disposal in May.

"The Black List"

Nine sales sections each sold less than 1% of their IBM inventories in May as contrasted with 21 sales sections in April. Two of these sections--Mining Machinery and Textile Fabrics--have appeared on this list in each of the last 4 months. Two others--Auto Accessories & Assemblies and Leather Fibers & Miscellaneous Supplies--have appeared on this list in 4 of the last 5 months.

Moreover, at the May rate of disposal, 47 out of 68 sales sections would require more than a year to liquidate their present IBM inventories. This estimate does not allow for the substantial additional acquisitions anticipated in coming months.

Recovery Rate

Again in May the regional recovery rate sunk to a new low, 14%. On a divisional level this rate ranged from 6% for Drugs & Medical Products to 37% for Metals. The recovery rate on scrap was 1.4% and on residual electronic and aeronautic equipment 2.5%.

Although the over-all regional recovery rate has fallen consistently since last October and is now only 50% the rate of six months ago, the recovery rate of Region V compares closely with the average recovery rate of other regions.

Offerings

In May, Region V offered $120 million of consumer and capital goods for sale, the largest amount yet offered in any month. Moreover, in spite of inventory refirming, current plus future offerings on June 12 equaled $130 million. This high level of offerings suggests that the refirming of inventory now underway has not as yet had a general appreciable effect on sales; for at the March-May rate of disposal, this $130 million of inventory available for sale is equivalent to 6 months' normal disposals.

It appears likely, however, that location sales may soon sink to a very low level since location offerings, scheduled for the future, have fallen sharply in recent weeks. On May 22, they totaled $11.6 million; by June 12, they had sunk to zero. This decline is attributable to: (1) inventory refirming which has cut off the flow of WAA-4's to locations, (2) planning for the revamped sales program now in process.

On the basis of the latest offerings report, it is possible to anticipate certain features of the disposal program in June and July. In the month of June, the Scrap Disposal Division is scheduled to close on sealed bid over $10 million of electronics offerings. Now in the month of May electronics offerings had a disposal rate of about 100% and a recovery rate of

only 3%; in fact, several large electronics sales, which closed recently, netted a recovery rate of less than 1%. Hence, if the past is a guide to the future, large electronics offerings will bolster regional disposals in June and July, and electronics sales may well constitute upwards of 25% of total regional disposals. On the other hand, the low recovery rate on electronics sales, coupled with the heavy offerings of electronics equipment, seems likely to push the over-all regional recovery rate in June and July to new all-time lows.

Income and Expense

Table 2
Income and Expense
May 1947

	Millions of $
Total Income	
Capital & Consumer Goods Sales	$2.90
Real Property Sales	0.10
Rents & Interest	0.32
Total	$3.32
Total Expense	
Salaries & Wages	$1.00
Reimbursements to Owning Agencies	0.27
Protection & Maintenance of Property	0.14
Warehouse Costs	0.10
Miscellaneous Contractual Services	0.09
Rents & Utilities	0.09
Plant Clearance	0.07
Broker-Dealer Agreements	0.07
Printing & Binding	0.06
Other	0.05
Total	$1.94
Excess of Income over Expense	$1.38

Both income and expense underwent sharp reductions in May as compared with April. The reduction in income was due primarily to a heavy shrinkage in real property sales--$38.6 million in April vs. $0.2 million in May. The reduction in expense arose primarily from a large decline in reimbursements by Region V to RFC for real estate taxes paid on WAA property--$2.0 million in April vs. $0.06 million in May.

Income from the sales of consumer and capital goods was also down $1.1 million in May, a reduction of 25% as compared with April. As in other recent months, a few sales sections accounted for most of regional income from the

sale of consumer and capital goods. Five sales sections--Machine Tools, Iron & Steel, Machinery Parts, Textile Products, and Clothing & Apparel--realized 60% of this income. This concentration was somewhat less than in April, however, when 3 sales sections brought in 75% of the regional income from the sale of consumer and capital goods.

Salary & wage expense, which now constitutes about 50% of total regional expenses, has not changed substantially in several months. Warehouse costs, the next largest item of regional expense, however, declined about $250,000 or 70% from April to May. More than one-half of this decline represented account adjustments for over-obligations of previous months.

Outlook for Region V

The outlook for machine tools is of primary importance to Region V since 30% ($85.5 million) of this region's total inventory is in machine tools. The domestic market for machine tools is contracting and this contraction is expected to continue in coming months. This contraction will, of course, make it harder to sell surplus machine tools in Region V since up to now many surplus machine tools have been bought only because manufacturers have been unable to make prompt delivery of new machine tools. At the same time, the outlook for surplus machine-tool disposal is not uniformly bad. Many types of machine tools can still be secured new from private manufacturers only after a long waiting period. Moreover, WAA is operating at a considerable competitive advantage on price. Prices of new machine tools have steadily increased for the last year while the selling prices of surplus machine tools have been reduced considerably in the same period.

On the other hand, a strong export market for machine tools is anticipated throughout 1947. (In 1946 this market amounted to $120 million, selling price.) Sixty per cent of this market is concentrated in lathes, grinders, and milling machines. A sample taken from the latest property list indicates that lathes, grinders, and milling machines also comprise about 68% ($35 million acquisition costs) of Region V's firmed machine tools. Although further analysis would be necessary to determine to what extent Region V's inventory of these tools consists of general purpose equipment and of equipment easily adaptable to the needs of foreign buyers, it appears that a substantial unexploited export market for machine tools exists. Only 1% of Region V's machine tool sales has been to export markets while private industry has secured 25% of its machine tool sales in export markets.

The market for textiles and footwear has passed its postwar peak and no substantial backlog of consumer demand remains. This is especially true of women's wear. Henceforth, substantial price cuts will probably be necessary to move surplus textiles and footwear. The latest report puts Region V's inventory of textiles and footwear at $21.1 million.

Scrap-metal activity in recent weeks has been relatively light with little buying and selling in leading markets. Prices stabilized in May after declining considerably in preceding weeks. A return to the tight supply conditions prevalent in early months of this year is not anticipated. Region V's metals inventory on May 31 was $22.7 million and scrap inventory $2.6 million.

Although paper manufacturers have been operating at top capacity for the last year, demand is still generally 25% in excess of supply. On an over-all basis, however, supply is expected to balance demand in another six months. No substantial price changes are expected in the balance of 1947. Region V's paper inventory approximates $2.0 million.

Production of containers of all kinds is steadily increasing. By the year's end, supply is expected to match demand. Relatively stable container prices are anticipated in coming months. Region V's container inventory is $1.0 million.

Third Operational Program

Primary emphasis under the Third Operational Program has been put on seeking out markets which WAA has generally overlooked or neglected in the past. In his preface to this program, General Littlejohn defined its objective as follows: "I want to emphasize the necessity for inter-regional sales. ..... I want to see you exploiting special markets.....[We] have not begun to realize the full possibilities of state and local governments, of small business, and of the agricultural market, or of the export market..... During this program we must plan for the disposal of scrap, salvage, and hard-to-sell property. We must not wake up some day with all our desirable property sold and a large inventory of scrap, salvage, and hard-to-sell property."

Region V will have to effectively redirect its sales efforts if previously untapped markets are to be worked. (1) Whereas approximately 80-85% of the market for consumer and capital goods lies in the 45 states outside of Region V, Region V has drawn only 30% of its buyers from these 45 states. (2) State and local government purchases have amounted to less than 5% of all Region V sales. (3) Export sales have comprised less than 1% of total sales. (4) Scrap sales in the January-May period amounted to less than 10% of total sales at acquisition cost. (5) It is not possible to tell from accounting records what percentage of Region V's total sales are made to small business or to the agricultural market.

Regional Inventory: Problem Areas

Special problems confront the disposal of certain segments of the regional inventory. First, almost one out of every four locations, holding more than $5,000 of regional inventory, is situated in 26 states lying beyond the regional boundaries. In all, Region V is responsible for the disposal of approximately $8.6 million of property at 114 locations at such diverse points as New York, California, Alabama, Oregon, and Louisiana.

A second problem-area concerns the recordkeeping on minor locations. The Minor Location Sales Division reports that it has checked on over 1000 minor locations since last November and found no property at these locations. This division also reports that it has liquidated 78 out of 137 other minor locations at which property has been found. Yet, apparently the Accounting records do not properly reflect this activity. The latest Accounting report shows that minor locations still number 1,068 and approximate 90% of all regional locations. This same Accounting report shows 405 locations each holding less than $1,000 of regional inventory, including one location having only 7¢ of regional inventory. Resolving this disagreement is essential for evaluating the current progress on the liquidation of minor locations and for properly planning minor-location disposals in the future.

Third, in coming months Region V may find it necessary to use more fully certain disposal methods which it has seldom used in the past. Certain items of inventory are likely to prove unmarketable at any price and may even be unwanted if offered for donation. The region may find that the best method of disposing of this property is to abandon or destroy it in accordance with Washington-approved procedures. It is noteworthy that no consumer or capital goods have been abandoned or destroyed in Region V since August 1946.

Fourth, it appears unusual that, according to Accounting records, no property has been missing from the regional inventory since, at least, August 1946. Yet, during the first firming operation, inspectors were unable to locate many millions of dollars of inventory carried on the property list. In the light of this, it seems probable that the Accounting records list a great deal of property actually missing from the regional inventory.

Customer Service

Customer service activity fluctuates sharply from week to week but several broad trends are evident. First, the number of people visiting Chicago and Milwaukee Customer Service Centers has not increased. Fewer people have visited these centers in recent weeks than when the centers first opened in March. However, there has been a distinct trend for more people who visit to buy. Income traceable to these centers has also

increased; the Chicago Customer Service Center, for instance, doubled its dollar sales in each of the last 3 four-week periods. Orders taken in the May 9-June 6 period amounted to $1,950,000 in Chicago and to $676,000 in Milwaukee.

Scrap Sales

Scrap sales in May increased over April, but information concerning the extent of this increase is conflicting. The Accounting Division reported scrap sales in May of $1,528,000 on which a recovery rate of 2% was realized. The Scrap Disposal Division reported scrap and salvage sales in May of $5,507,000 on which a recovery rate of less than 1% was realized. It is worthy to note that the turnover of the scrap inventory has consistently been rapid, that monthly disposals have averaged 50% to 100% of the inventory on hand at the beginning of the month.

Sales to Federal Government

A month ago the Washington office instructed the regions to accelerate disposals to federal agencies. In Region V sales to federal government agencies in May amounted to $132,000 on which a recovery rate of 27% was realized. Transfers to federal government agencies without reimbursement amounted to $540,000. The Atomic Energy Commission was the largest purchaser of any agency and the Federal Works Agency received the largest amount of property without reimbursement.

Minor Locations

General Disposal Letter No. 124 (May 21) raised the limit on minor locations from $100,000 to $300,000 and authorized the Regional Director to liquidate locations below $300,000 as rapidly as possible by any sales methods he saw fit. This change will do little to accelerate the disposal program in Region V since only 3% ($8.5 million) of the regional inventory is held at locations between $100,000 and $300,000.

Cancelled Sales

Cancelled sales are evidence of customer dissatisfaction and an item of unproductive expense for WAA. In May, cancellations amounted to $1,382,000 or 7% of total sales. These cancellations have consistently been a greater percentage of sales made by commodity divisions than of sales made at locations. In April, the peak month, $3.1 million or 16% of sales made through commodity divisions were cancelled. Region V's record on cancelled sales follows rather closely that of other regions. In other regions, cancellations have averaged 7% of total sales and April 1947 was the peak month for cancellations. Likewise, in other regions cancellations have been far greater on sales by commodity divisions than on sales at locations.

Sales Claims

A larger number of claims (395) were settled in May than in any month since last December. These settlements averaged 70% of the dollar amount of the claim.

At the end of May unsettled claims numbered 1,021, and of these, 60% were more than 2 months old. No dollar amount is specified on about 70% of unsettled claims. However, most claims are rather small as is evidenced by the fact that claims settled in the last five months averaged $236 per claim.

Ninety per cent of all claims settled in May arose from three sources: misrepresentation of property in selling (59%), shortages in delivery (22%), and incorrect description of property ordered by buyers (9%).

Personnel

Regional personnel strength increased to 3,649 on May 31 as compared with 3,527 on April 30. This was the first monthly increase in total regional personnel in the last 5 months. However, Schedule A employees declined for the fifth successive month, but an increase in Regular employees more than balanced this reduction.